

**DIRECT TESTIMONY AND EXHIBIT**

**OF**

**O'NEIL O. MORGAN**

**ON BEHALF OF**

**THE SOUTH CAROLINA OFFICE OF REGULATORY STAFF**

**DOCKET NO. 2021-2-E**

**IN RE: ANNUAL REVIEW OF BASE RATES FOR FUEL COSTS FOR**

**DOMINION ENERGY SOUTH CAROLINA, INCORPORATED**

**Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION.**

**A.** My name is O'Neil O. Morgan. My business address is 1401 Main Street, Suite 900, Columbia, South Carolina 29201. I am employed by the State of South Carolina as a Senior Engineer in the Utility Rates and Services Division of the Office of Regulatory Staff ("ORS").

**Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.**

**A.** I received a Bachelor of Engineering degree in Mechanical Engineering from the University of Technology, Jamaica in 2006 and a Master of Science degree in Engineering Management from Florida International University in 2008. I have worked in the energy industry for over sixteen (16) years and prior to my employment at ORS, served in a variety of positions developing and implementing demand side management and energy efficiency programs for multiple investor-owned utilities in the United States. I joined ORS in November 2019 and assumed my current position.

**Q. HAVE YOU TESTIFIED BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA ("COMMISSION")?**

1 A. No. This is my first time testifying before the Commission.

2 **Q. WHAT IS THE MISSION OF THE OFFICE OF REGULATORY STAFF?**

3 A. ORS represents the public interest as defined by the South Carolina General  
4 Assembly as:

5 [T]he concerns of the using and consuming public with respect to public  
6 utility services, regardless of the class of customer and preservation of  
7 continued investment in and maintenance of utility facilities so as to provide  
8 reliable and high-quality utility services.

9 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

10 A. The purpose of my direct testimony is to set forth and support ORS's review and  
11 recommendations resulting from the examination of Dominion Energy South Carolina,  
12 Inc's. ("DESC" or "Company") Distributed Energy Resource Program ("DERP") expenses  
13 for the period of January 2020 through December 2020 ("Actual Period"), January 2021  
14 through April 2021 ("Estimated Period"), and May 2021 through April 2022 ("Forecasted  
15 Period").

16 **Q. WAS THE REVIEW AND ANALYSIS PERFORMED BY YOU OR UNDER YOUR  
17 SUPERVISION?**

18 A. Yes. The review and analysis to which I testify were performed by me or under my  
19 supervision.

20 **Q. WHAT EXPENSES RELATED TO THE COMPANY'S DERP ARE INCLUDED IN  
21 THIS PROCEEDING?**

22 A. Pursuant to S.C. Code Ann. § 58-39-130(A)(2) (2015), an electrical utility with an  
23 approved DERP may recover associated costs that are reasonably and prudently incurred,  
24 and pursuant to S.C. Code Ann. § 58-39-140(F) (2015), cost recovery shall remain in force  
25 until all approved DERP components have been recovered. The Company's DERP was

approved in Commission Order No. 2015-512, and the Company included in this filing actual, estimated, and forecasted avoided and incremental costs for the period of January 1, 2020 through April 30, 2022.

**Q. PLEASE EXPLAIN THE INCLUSION OF DERP AVOIDED COSTS TO BE RECOVERED IN THIS PROCEEDING.**

**A.** According to S.C. Code Ann. § 58-39-140 (2015), payments for electricity provided under the DERP that are paid at avoided cost rates or rates negotiated pursuant to the Public Utility Regulatory Policy Act of 1978 ("PURPA"), whichever is lower, are eligible to be recovered through the DERP avoided cost component.

The Company incurred DERP avoided costs during the Actual and Estimated Periods for Bill Credit Agreements ("BCAs") paid to customers, purchased power from utility-scale and community solar facilities, and excess Net Energy Metering ("NEM") payments to customers. These costs were allocated using the same method the Company uses to allocate and recover variable environmental costs. Actual and estimated DERP avoided cost totals are shown in ORS witness Kleckley's Audit Exhibit WCK-8.

**Q. WHAT TYPES OF EXPENSES HAS THE COMPANY INCLUDED AS DERP INCREMENTAL COSTS?**

**A.** The Company included costs in excess of avoided costs, administrative and general costs, NEM and BCA incentives, NEM future benefits, NEM performance-based incentives, community solar costs, utility scale incentives, depreciation costs, and associated carrying costs. Actual and estimated DERP incremental cost totals are shown in ORS witness Kleckley's Audit Exhibit WCK-9. Exhibit OOM-1 reflects the under-recovered and total estimated and forecasted incremental costs.

**Q. DID ORS FIND THE COMPANY'S DERP AVOIDED AND INCREMENTAL COSTS TO BE REASONABLE?**

**A.** Yes. ORS found the Company's DERP avoided and incremental costs to be reasonably and prudently incurred in implementing the Company's DERP. ORS also reviewed the Company's estimated and forecasted DERP avoided and incremental costs and found them to be reasonable.

**Q. PLEASE EXPLAIN THE DERP CHARGE PER ACCOUNT.**

**A.** The fixed charge by which the Company proposes to recover DERP incremental costs ("DERP Charge") is determined by allocating DERP incremental expenses in the same way the Company allocates variable environmental expenses. The revenue is collected as a fixed charge per account to ensure that no account charge exceeds the annual recovery caps prescribed in S.C. Code Ann. § 58-39-150 (2015). ORS finds the Company's methodology to calculate, allocate and collect the DERP Charge complies with Act 236 and with prior Commission orders.

**Q. WILL THE PROPOSED ANNUAL DERP CHARGES RECOVER ALL OF THE INCREMENTAL COSTS?**

**A.** No. The proposed Residential and Large General Service ("LGS") DERP Charges will not recover all the incremental costs allocated to those customer classes. A full recovery of DERP incremental costs would require an annual DERP charge of \$21.01 for Residential customers and \$17,964.89 for LGS customers. However, the annual recovery caps prescribed in S.C. Code Ann. § 58-39-150 (2015) limit the amount Residential and LGS customers can be charged each year to \$12.00 and \$1,200.00, respectively. DESC's proposed annual DERP Charge will recover all DERP incremental costs from Small and

Medium General Service customers as the cost is under the \$120.00 annual recovery cap for that class.

**Q. HOW ARE UNDER-COLLECTED INCREMENTAL COSTS TO BE TREATED?**

**A.** Under-collected incremental costs will earn carrying costs until next year when they will be reallocated using each class's contribution to peak demand.

**Q. DOES ORS HAVE ANY RECOMMENDATIONS REGARDING THE DERP CHARGES PROPOSED BY THE COMPANY?**

**A.** No. The Company's calculations comply with Act 236 and with the Commission's Orders in previous DERP-related proceedings and supports the following annual proposed DERP Charges: Residential \$12.00, Small and Medium General Service \$73.99, and LGS \$1,200.00. Exhibit OOM-1 details the DERP Charge by class.

**Q. DID THE COMPANY UPDATE THE VALUE OF NEM DISTRIBUTED ENERGY RESOURCES?**

**A.** Yes. As shown in Company witness Bell's corrected direct testimony (page 10), the Company proposes a total value of NEM distributed generation of \$0.03145 over a one (1)-year planning horizon and \$0.03857 over a ten (10)-year planning horizon. The one (1)-year value is used by the Company to determine the NEM incentive. The Company then uses the difference between the one (1)-year value and ten (10)-year value to determine the NEM future benefits.

**Q. IS THE COMPANY'S CALCULATION OF THE NEM INCENTIVE CONSISTENT WITH DOCKET NO. 2014-246-E?**

**A.** Yes. The Company used the methodology approved in Commission Order No. 2015-194 to calculate the NEM incentive. DESC determined the difference between the

1 expected revenues from NEM customers with and without DERP. Once the revenue gap  
2 was identified, the value of the customers' distributed generation was calculated using the  
3 amount from the NEM tariff approved in Commission Order No. 2020-331 in Docket No.  
4 2020-2-E. The outstanding revenue was divided by the number of kilowatt hours the  
5 customers of each applicable rate schedule generated to calculate the NEM incentive.

6 **Q. DID THE COMPANY TRUE-UP THE UPDATED AVOIDED COST RATES, THE**  
7 **VALUE OF NEM DISTRIBUTED ENERGY RESOURCES, AND THE VARIABLE**  
8 **INTEGRATION CHARGES AS REQUIRED BY ORDER NO. 2019-43-H,**  
9 **PURSUANT TO ORDER NO. 2019-229 IN DOCKET NO. 2019-2-E?**

10 **A.** Yes. According to Company witness Rooks' corrected direct testimony (page 12),  
11 the Company will record this true-up during the first quarter of 2021 and included the true-  
12 up adjustments in the DER avoided and incremental cost forecasts shown on Exhibit Nos.  
13 AWR-6 and AWR-8. The effect of the true-ups increases DER avoided costs by \$48,627  
14 and increase DER incremental costs by \$250,939.

15 **Q. DOES ORS HAVE ANY RECOMMENDATIONS REGARDING THE PROPOSED**  
16 **UPDATES TO THE SECOND AND THIRD NEM FOR RENEWABLE ENERGY**  
17 **FACILITIES TARIFFS THE COMPANY INCLUDED IN ITS FILING?**

18 **A.** Yes. ORS recommends the Company update the values in the NEM tariffs provided  
19 in Company witness Rooks' direct testimony to reflect the values provided in Company  
20 witness Bell's corrected direct testimony.

21 **Q. WILL YOU UPDATE YOUR DIRECT TESTIMONY BASED ON INFORMATION**  
22 **THAT BECOMES AVAILABLE?**

1     **A.**             Yes. ORS fully reserves the right to revise its recommendations via supplemental  
2             testimony should new information not previously provided by the Company, or other  
3             sources, becomes available.

4     **Q.     DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

5     **A.**             Yes.

**Office of Regulatory Staff**  
**Calculation of DERP Charge**  
**Dominion Energy South Carolina, Inc.**  
*Docket No. 2021-2-E*

<b>(Over)/Under- Recovery of DERP Incremental Costs January 2020 through April 2021</b>			
	<b>Residential</b>	<b>Small and Medium General Service</b>	<b>Large General Service</b>
Cumulative (Over)/Under-Recovery	\$3,660,817	\$2,025,805	\$1,497,085
<b>(Over)/Under- Recovery of DERP Incremental Costs May 2021 through April 2022</b>			
	<b>Residential</b>	<b>Small and Medium General Service</b>	<b>Large General Service</b>
Cumulative (Over)/Under-Recovery	\$10,264,834	\$5,680,304	\$4,197,785
<b>Total DERP Charge January 2020 through April 2022</b>			
	<b>Residential<sup>1</sup></b>	<b>Small and Medium General Service</b>	<b>Large General Service<sup>2</sup></b>
Cumulative Under-Recovery through April 2022	\$13,925,651	\$7,706,109	\$5,694,870
Number of Accounts	662,770	104,156	317
Annual Cost (\$)	\$12.00	\$73.99	\$1,200.00
<b>Monthly DERP Charge (\$)</b>	<b>\$1.00</b>	<b>\$6.17</b>	<b>\$100.00</b>

<sup>1</sup> Residential monthly charges are capped in compliance with Act 236.

<sup>2</sup> Large General Service monthly charges are capped in compliance with Act 236.